

**CHAPTER NO. 489**

**SENATE BILL NO. 823**

**By Black**

**Substituted for: House Bill No. 907**

**By Maggart**

AN ACT relative to permit bonds.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. It shall be the duty of every person who shall make contracts for the construction, erection, alteration, repair, removal or demolition of any building or structure or part thereof; or repair or replacement of any damage to a building or structure caused by insects or natural disasters; or to erect or construct any sign, billboard or similar structure, or to construct any public or private swimming pool; or to do or perform any work for which a permit is required (and every such person, making such contracts or subletting the same or any part thereof) to register with the department of codes administration or other appropriate departments and to post a permit bond in the amount set forth herein.

SECTION 2. (a) For building permits under twenty-five thousand dollars (\$25,000), the bond amount shall be ten thousand dollars (\$10,000).

(b) For all building permits of twenty-five thousand dollars (\$25,000) and larger the bond amount shall be fifty thousand dollars (\$50,000);

(c) For all gas/mechanical, plumbing and excavation permits the bond amount shall be forty thousand dollars (\$40,000).

SECTION 3. The bond required by this section shall be a permit bond conditioned to conform to the requirements of this act and all applicable laws, ordinances, rules and regulations of the municipality or county relating to work which is performed by the principal pursuant to a permit issued under this bond, or for work performed by the principal for which a permit should have been obtained prior to commencement of such activity; and to indemnify the municipality or county and property owners against any and all loss suffered by them by reason of the failure of such contractor to comply with such laws, ordinances, rules and regulations. Such bond shall be continuous and may not be cancelled without at least ten (10) days prior notice in writing, to the Director of Codes administration or other appropriate director. The liability of the surety shall continue to attach to work performed pursuant to any permit issued prior to the termination date of the bond even if the non-complying act should occur after the termination date of the bond. The liability of the surety for any and all claims, suits or action under this bond shall not exceed the bond penalty. Regardless of the number of years this bond may remain in force, the liability of the surety shall not be cumulative and the aggregate liability of the surety for any and all claims, suits or actions under this bond shall not exceed the face amount. The bond shall be issued by a U.S. Treasury listed corporate surety or a Tennessee domestic insurance company on forms provided by the Department of Codes Administration or other appropriate department.

SECTION 4. It shall be the duty of every person, firm, or corporation desiring to register with the Department of Codes Administration or other appropriate department under this section to secure the required contractor's business license from the municipality or county.

SECTION 5. Contractors with multiple trades or contractors involved in the construction, repair, or alteration of more than one (1) structure in the municipality or county may provide one fifty thousand dollar (\$50,000) bond to meet the requirements of the above.

SECTION 6. The bond shall be referenced by a standard form legal agreement, approved by the city or county attorney.

SECTION 7. The provisions of this act shall have no effect unless approved by a two-thirds (2/3) vote of the governing body of any municipality or county.

SECTION 8. The provisions of this act shall not apply to nonprofit housing ministries that, through volunteer labor and donations of money and materials, build and rehabilitate houses with the help of the homeowner families.

SECTION 9. This act shall not be construed to extend the amount of time a contractor is liable under current law regarding construction, erection, alteration, repair, removal or demolition of any building or structure.

SECTION 10. Nothing in this act shall be construed to apply to nor alter or affect any municipality, county or metropolitan government which on the effective date of this act has similar or more stringent requirements than those required in this act relative to bonding requirements and insuring that a contractor secures the required business license from the municipality, county or metropolitan government.

SECTION 11. This act shall take effect upon becoming a law, the public welfare requiring it.

**PASSED: May 27, 2005**

  
JOHN S. WILDER  
SPEAKER OF THE SENATE

  
JIMMY NAIFEH, SPEAKER  
HOUSE OF REPRESENTATIVES

**APPROVED this 22<sup>nd</sup> day of June 2005**

  
PHIL BREDESEN, GOVERNOR